



HONG KONG MONETARY AUTHORITY
香港金融管理局

Our Ref.: B10/1C
B1/15C

30 April 2014

The Chief Executive
All Authorized Institutions

Dear Sir/Madam,

Risks associated with virtual commodities

In view of recent media reports about a number of entities that either operate or consider operating virtual commodity exchange in Hong Kong¹, I am writing to all authorized institutions (“AIs”) again, further to our circular of 9 January 2014, to reiterate the importance of prudently managing risks associated with virtual commodities, particularly the money laundering and terrorist financing (“ML/TF”) risks.

The Hong Kong Monetary Authority (“HKMA”) expects AIs to continue to exercise an escalated level of vigilance when they consider whether to establish or maintain business relationships with customers who are operators of schemes related to virtual commodities, taking into account whether such operators have established effective controls against the specific ML/TF risks involving virtual commodities.

The HKMA is aware that at the time the relationship is established, AIs may not have the full information of the business nature of a customer. A comprehensive risk profile may only become evident once the customer has begun transacting through an account, as indicated in paragraph 3.6 of the Guideline on Anti-Money Laundering and Counter-Terrorist Financing (“AML Guideline”). AIs should rely on existing anti-money laundering measures² to address this risk, such as the continuous monitoring of customer transactions and ongoing review of customer risk profiles to keep them up-to-date and relevant.

¹ including the provision of vending machines for the sale and purchase of virtual commodities

² see chapters 4 and 5 of the AML Guideline, and the Guidance Paper on Transaction Screening, Transaction Monitoring and Suspicious Transaction Reporting published on 16 December 2013

It should also be noted that the statutory requirement to make a disclosure to the Joint Financial Intelligence Unit, where AIs have knowledge or suspicion of ML/TF related activity, applies equally to relationships or transactions that may be related to virtual commodities.

AIs should also keep abreast of the latest developments relating to virtual commodities, such as the warning issued by the Government to the public over the risks associated with virtual commodities, which was circulated to AIs by email on 17 March 2014 (<http://www.info.gov.hk/gia/general/201403/14/P201403140751.htm>).

Should you have any question on this matter, please contact Ms Maggie Wong on 2878 1601 or Mr Gavin Cheung on 2878 8305.

Yours faithfully,

Henry Cheng
Executive Director (Banking Supervision)