



# Regulatory Update

*AML Seminars, Hong Kong Central Library*

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HONG KONG MONETARY AUTHORITY  
香港金融管理局



**Financial Services and the Treasury Bureau**  
The Government of the Hong Kong Special Administrative Region



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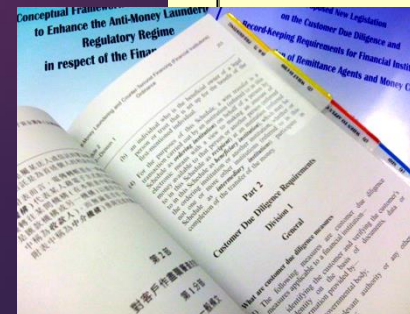
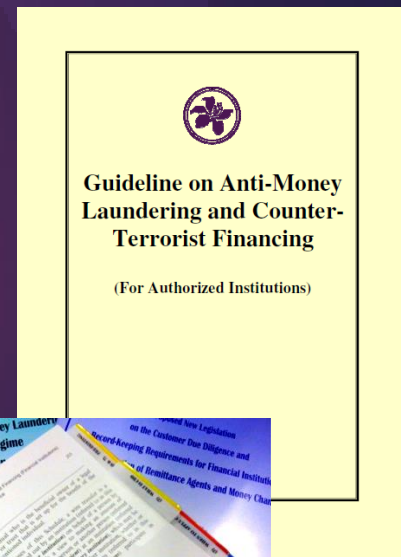
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# AMLO & AML Guideline Amendments

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- ▶ **AML (Amendment) Bill 2017**
  - ▶ to complete legislative process early 2018
  
- ▶ **AML Guideline Amendments (Phase 1)**
  - ▶ Target to complete before 1 March 2018
  - ▶ Cover 4 areas (AMLO-related):
    - ▶ Beneficial ownership thresholds from 10% to 25%
    - ▶ Section 9 of Schedule 2 (not physically present)
    - ▶ Section 12 of Schedule 2 (wire transfer)
    - ▶ Section 18 of Schedule 2 (reliance on intermediaries)

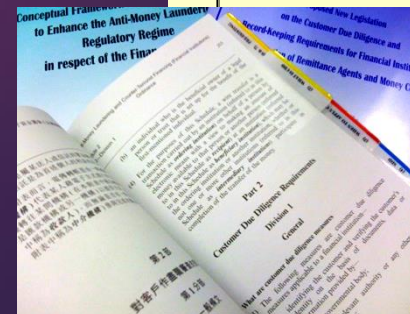
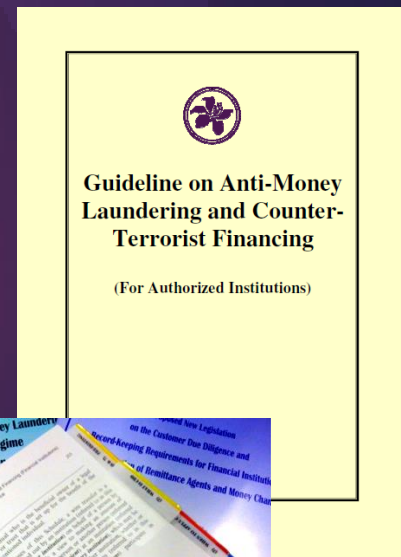




# AMLO & AML Guideline Amendments

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- ▶ **AML Guideline Amendments (Phase 2)**
  - ▶ Target to complete in mid 2018
  - ▶ Objective:
    - ▶ Close technical gaps with international standards
    - ▶ Provide more guidance on risk-based approach
    - ▶ Enhance clarity of some requirements
    - ▶ Streamline requirements that may lead to unnecessary burden
    - ▶ Take into account technological development





# ML/TF Risk Assessment (National Risk Assessment, NRA)

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- ▶ First territory-wide NRA
- ▶ Adopted the World Bank model
  - Threats & Vulnerabilities
  - Money laundering (ML) & terrorist financing (TF) risks
  - Sectoral risk assessments (e.g. banking sector)
- ▶ Coordinated by the Steering Committee
- ▶ All relevant agencies and sectors participate
- ▶ The draft report is under review



# National Risk Assessment (NRA)

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## What to expect

- ▶ NRA report to be published in 1Q 2018 (tentative)
- ▶ Als will need to take into account the NRA report in their institutional risk assessment





# National Risk Assessment (NRA)

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## NRA and the Financial Action Task Force (FATF) recommendations

- ▶ Countries should identify, assess, and understand the ML/TF risks
- ▶ Apply a risk-based approach (RBA): measures are commensurate with the risks identified
- ▶ Require financial institutions and designated non-financial businesses and professions (DNFBPs) to identify, assess and take effective action to mitigate their ML/TF risks





# Mutual Evaluation (ME)

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- ▶ Peer review of compliance with FATF Recommendations
- ▶ 4<sup>th</sup> round ME of Hong Kong, China in 2018/19
- ▶ Last ME (3<sup>rd</sup> round) in 2007/08 and removed from follow up in 2012

## ME methodology (2013)

- ▶ Technical Compliance
- ▶ Effectiveness (*new to the 4<sup>th</sup> round*)







# Mutual Evaluation (ME)

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- ▶ AML/CFT regime of Hong Kong as a whole
- ▶ Effectiveness is key, as demonstrated in other countries' experiences
- ▶ An evolving process in which the banking sector plays a part
- ▶ Collective effort by public and private sectors
- ▶ Opportunities for improvement



# Mutual Evaluation (ME): Effectiveness

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- ▶ Effectiveness defined as “*The extent to which the defined outcomes are achieved*”
- ▶ A hierarchy of defined outcomes: High-Level Objective, Intermediate Outcomes, Immediate Outcomes
- ▶ 11 *Immediate Outcomes (IO)* serve as the operational basis for assessment
- ▶ IO and Technical Compliance are interlinked
- ▶ Most relevant to the banking sector:
  - **IO1**: Risk, Policy and Coordination
  - **IO3**: Supervision
  - **IO4**: Preventive Measures



# Mutual Evaluation (ME): Timeline

