



HONG KONG MONETARY AUTHORITY
香港金融管理局

Our Ref.: B10/1C
B1/15C
B10/21C

21 November 2025

The Chief Executive
All Authorized Institutions and Stored Value Facility Licensees

Dear Sir/Madam,

Guidance on risk-based AML/CFT controls for politically exposed persons

I am writing to provide guidance on the Hong Kong Monetary Authority's (HKMA) expectations regarding anti-money laundering and counter-financing of terrorism (AML/CFT) requirements for politically exposed persons (PEPs).

Requirements to address the recognised money laundering and terrorist financing (ML/TF) risks associated with PEPs have been a long-standing part of the international standards under the Financial Action Task Force (FATF). In 2023, the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (AMLO) was amended to ensure it was fully consistent with the latest FATF standards, including those relating to foreign and domestic PEPs. To effectively implement these requirements, Authorized Institutions (AIs) and stored value facility (SVF) licensees are expected to ensure controls are proportionate, balanced and in line with the risk-based approach.

The HKMA has reviewed the implementation of PEP-related controls by AIs and SVF licensees. In general, AIs and SVF licensees understand and apply the PEP requirements effectively, and many AIs and SVF licensees have adjusted their approach to balance risk, proportionality and customer experience. However, we have also observed cases where AIs and SVF licensees have applied overly cautious or non-proportionate AML/CFT controls, deviating from the risk-based approach. Specifically, some AIs and SVF licensees have requested excessive information on source of wealth that may not be proportionate to the risks associated with the public function concerned. In other cases, the definition of PEP has been interpreted too broadly, resulting in an unmanageably large number of PEPs, which is not justified on the basis of ML/TF risks and can lead to misallocation of resources.

To provide more practical guidance on the effective implementation of a risk-based approach in AML/CFT controls, we have developed the enclosed **Smart Tips** to provide clarification and additional guidance in a number of key areas: (i) definitions of PEPs, family members and close associates; (ii) identification of PEPs, their family members and close associates; (iii) application of enhanced due diligence measures; and (iv) treatment of former PEPs. In preparing the guidance, the HKMA has consulted the industry and made reference to similar guidance provided by other authorities to ensure consistency with international standards and best practices in this area.

AIs and SVF licensees are advised to study the guidance in conjunction with the AMLO, the Guideline on Anti-Money Laundering and Counter-Financing of Terrorism, and other relevant guidance issued by the HKMA and competent authorities. They are expected to give consideration to adopting the practices described in the guidance to improve their risk-based AML/CFT policies, procedures, and controls.

The HKMA will monitor the implementation of the standards contained in the guidance by AIs and SVF licensees as part of its AML/CFT supervision. Reference will be made to cases relating to the treatment of PEPs by individual AIs or SVF licensees that are brought to the attention of the HKMA.

If you have any questions about this letter, please do not hesitate to contact us at aml@hkma.iclnet.hk.

Yours faithfully,

Raymond Chan
Executive Director (Enforcement and AML)

Encl.