



HONG KONG MONETARY AUTHORITY
香港金融管理局

Circulars

21 Dec 2000

Guideline on Prevention of Money Laundering

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

21 December 2000

The Chief Executive
All Authorised Institutions

Dear Sir/Madam,

Guideline on Prevention of Money Laundering

As you may be aware, the Organized and Serious Crimes (Amendment) Ordinance 2000 ("OSCAO") came into operation on 1 June 2000. Among other things, this Amendment Ordinance requires remittance agents and money changers to keep records of customers' identity and particulars of remittance and exchange transactions of HK\$20,000 or more or of an equivalent amount in any other currency. Section 24C of the OSCAO provides that a remittance agent or money changer shall not complete a remittance or exchange transaction unless the remittance agent or money changer keeps a record of the particulars of that transaction as specified in the relevant Parts of Schedule 6 to the OSCAO.

Although AIs are exempted from the statutory requirements for remittance agents and money changers under the OSCAO, it is important for us to ensure that the anti-money laundering standards of the banking sector are in line with the overall Government policy to combat money laundering activities. In this connection, we have consulted the Hong Kong Association of Banks and the DTC Association on a proposal to revise the HKMA Guideline for Prevention of Money Laundering ("Guideline") to incorporate similar customer identification and record keeping requirements to those of the above Section 24C and Schedule 6 for exchange and remittance transactions undertaken for non-account holders of AIs. Transactions undertaken for account-holders of AIs will not be subject to such requirements as the Guideline has already required AIs to verify the identity of account-holders before entering into business relationships with them and to keep relevant transaction records thereafter. Nevertheless, AIs should continue to exercise caution and be alert when conducting transactions with all customers, irrespective of whether they are walk-in customers or existing account-holders. If an AI has a suspicion of possible money laundering activity regarding a transaction of whatever amount, it should report the transaction to the Joint Financial Intelligence Unit, operated by the Hong Kong Police and the Customs and Excise Department. The JFIU has recently established a website (<http://www.jfiu.gov.hk/en/>) which provides useful guidance on a systematic approach to identifying suspicious transactions.

Our proposal to revise the Guideline to reflect the requirements mentioned in paragraph 2 above has been agreed by the two industry Associations. Enclosed is a copy of the new Annex 8 to the Guideline, which sets out the particulars to be recorded in respect of exchange and remittance transactions undertaken for non-account holders.

Opportunity has also been taken to update the Guideline where appropriate. A list of areas in the Guideline which have been updated (including the above new requirements) is attached. The updated version of the Guideline can be seen in our websites at www.info.gov.hk/hkma and www.hkfin.net. Please note that all the amendments to the Guideline will be gazetted and become effective on 22 December 2000.

There is a further point to which I would draw your attention and which will be reflected in our Guideline in due course. This is that Als should take extra care when they have established, directly or indirectly, business relationships with individuals holding important public positions (such as heads of state, politicians, high-ranking government officials etc.) and persons related to them. If banks accept and manage funds from such persons which are the proceeds of corruption or embezzlement, this will expose the bank concerned to severe damage to its reputation and possible legal or regulatory sanctions. Als should therefore have clear policies, procedures and controls regarding such business relationships which should generally be sanctioned and monitored at senior management level.

A more comprehensive review of the Guideline will be carried out next year to incorporate the proposed amendments to both the Organized & Serious Crimes Ordinance and Drug Trafficking (Recovery of Proceeds) Ordinance and other developments e.g. FATF's review of its Forty Recommendations. We plan to reprint the Guideline upon completion of our comprehensive review next year.

If you have any questions, please contact Ms. Maggie Leong at 2878 1912.

Yours faithfully,

Simon Topping
Executive Director (Banking Policy)

Encl.

c.c. Chairman, The Hong Kong Association of Banks
 Chairman, The DTC Association