



HONG KONG MONETARY AUTHORITY
香港金融管理局

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

10 February 2014

The Chief Executive
All Authorized Institutions

Dear Sir/Madam,

Basel Committee on Banking Supervision's Paper on "Sound management of risks related to money laundering and financing of terrorism"

I am writing to inform you that the Basel Committee on Banking Supervision ("BCBS") published on 15 January 2014 a paper "Sound management of risks related to money laundering and financing of terrorism"¹ which describes how banks should include risks related to money laundering and the financing of terrorism ("ML/TF") within their overall risk management framework. The paper is available on the BCBS's website (<http://www.bis.org/publ/bcbs275.pdf>).

The paper describes the essential elements of sound ML/TF risk management, provides increased focus on the risks associated with the usage by banks of third parties to introduce business and the provision of correspondent banking services, and is consistent with the International Standards on Combating Money Laundering and the Financing of Terrorism and Proliferation issued by the Financial Action Task Force ("FATF") in 2012.

As previously indicated², the Hong Kong Monetary Authority ("HKMA") will undertake a review of local legal and regulatory anti-money laundering and counter-terrorist financing ("AML/CFT") requirements for authorized institutions ("AIs") in order to implement the revised international standards and will also have regard to this paper during that review. The HKMA will consult the industry on its proposals in due course. In the meantime, AIs are encouraged to review the paper in the context of, and assess the implications for,

¹ The paper merges and supersedes two of the BCBS's previous publications dealing with related topics: *Customer due diligence for banks*, October 2001 and *Consolidated KYC risk management*, October 2004

² HKMA circular, *Revised FATF Recommendations*, dated 28 September 2012

enhancing their AML/CFT control processes.

I hope that you will find this paper helpful. Please contact Stewart McGlynn on 2878 1095 or Gavin Cheung on 2878 8305 should you require further information.

Yours faithfully,

Henry Cheng
Executive Director (Banking Supervision)