



ANTI-MONEY LAUNDERING (AML) / COUNTER-FINANCING OF TERRORISM (CFT) – Be Our Gatekeepers

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AGENDA

1. Standards of the Financial Action Task Force (FATF)
 - 40 Recommendations
 - Major requirements to Designated Non-Financial Businesses and Professions (DNFBPs)
2. Latest Development
3. Way Forward



1. Standards of the Financial Action Task Force (FATF) - 40 Recommendations

- The Financial Action Task Force (FATF)
 - an inter-governmental body established to set standards and promote effective implementation of measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system.



1. Standards of the Financial Action Task Force (FATF) - 40 Recommendations

FATF MEMBERS

Argentina	Finland	Italy	Russian Federation
Australia	France	Japan	Singapore
Austria	Germany	Kingdom of the Netherlands	South Africa
Belgium	Greece	Luxembourg	Spain
Brazil	Gulf Co-operation Council	Mexico	Sweden
Canada	Hong Kong, China (since 1991)	New Zealand	Switzerland
China (since 2007)	Iceland	Norway	Turkey
Denmark	India	Portugal	United Kingdom
European Commission	Ireland	Republic of Korea	United States

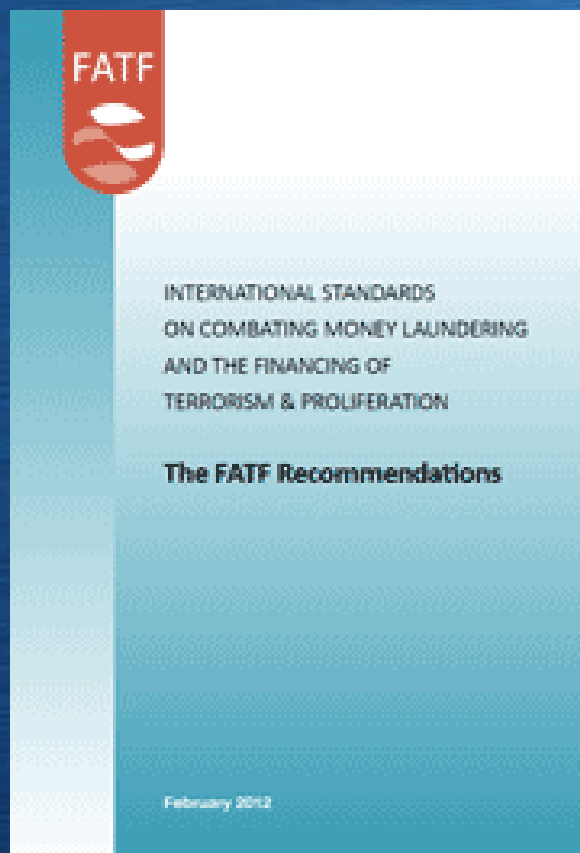
(As of October 2014)



1. Standards of the Financial Action Task Force (FATF)

- 40 Recommendations

THE FATF REQUIREMENTS



40 Recommendations (Feb 2012)



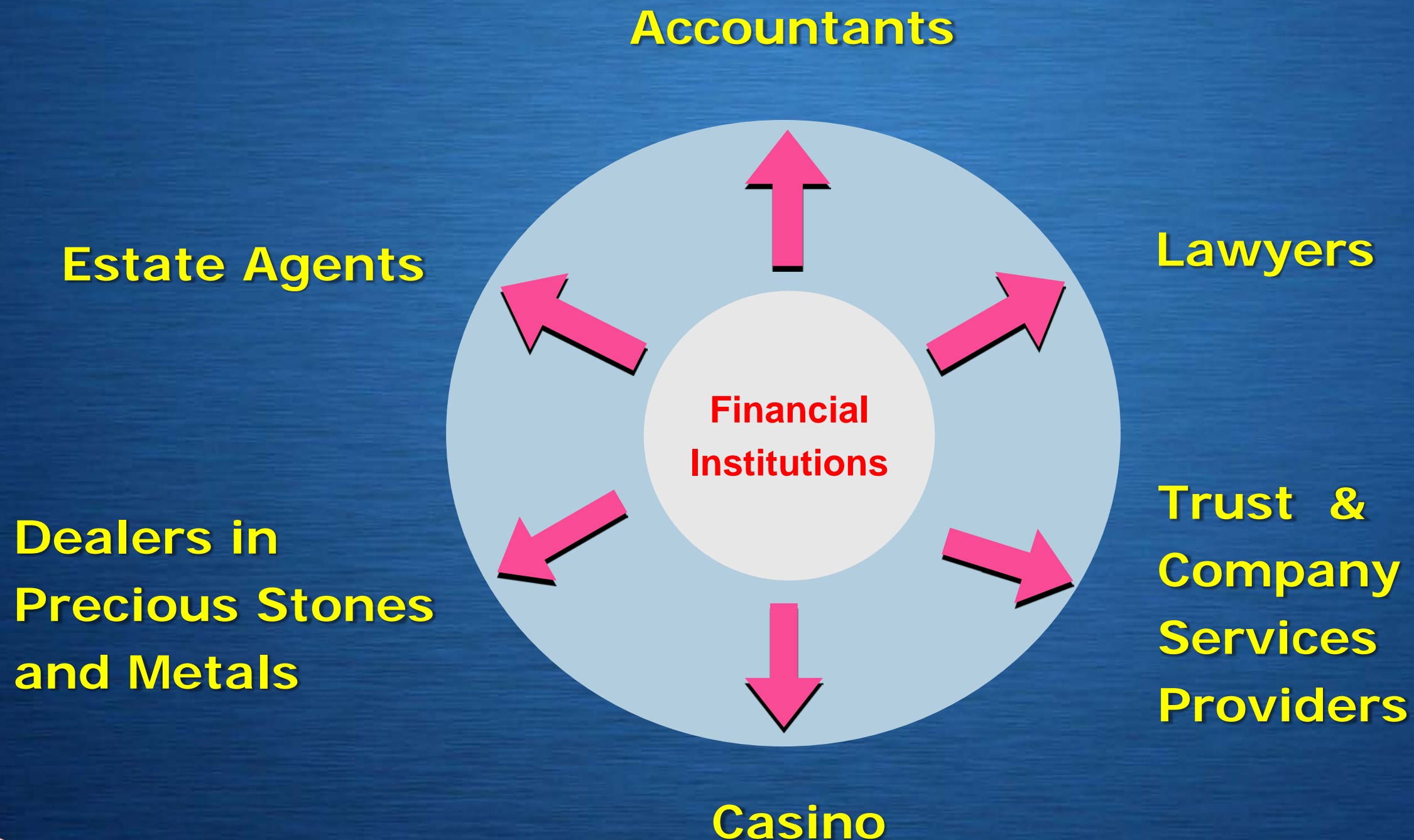
1. Standards of the Financial Action Task Force (FATF) - 40 Recommendations

- Money laundering and confiscation, Terrorist Financing and Financing of Proliferation
Criminalise ML/TF; means to detect, freeze, seize, confiscate proceeds and funding
Terrorist financing offence, freeze of terrorist assets, Non-profit organisations, financial sanctions related to proliferation
- Preventive measures - financial institutions and DNFBPs
CDD, record keeping, STR, internal control, regulatory and supervisory measures
- Power & responsibilities of competent authorities
Financial Intelligence Unit, law enforcement authorities, supervisors; their powers & resources
- International cooperation
Mutual legal assistance, extradition, information exchange



1. Standards of the Financial Action Task Force (FATF)

- Major requirements to DNFBPs



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ACCOUNTANTS (Recommendation 22(d))

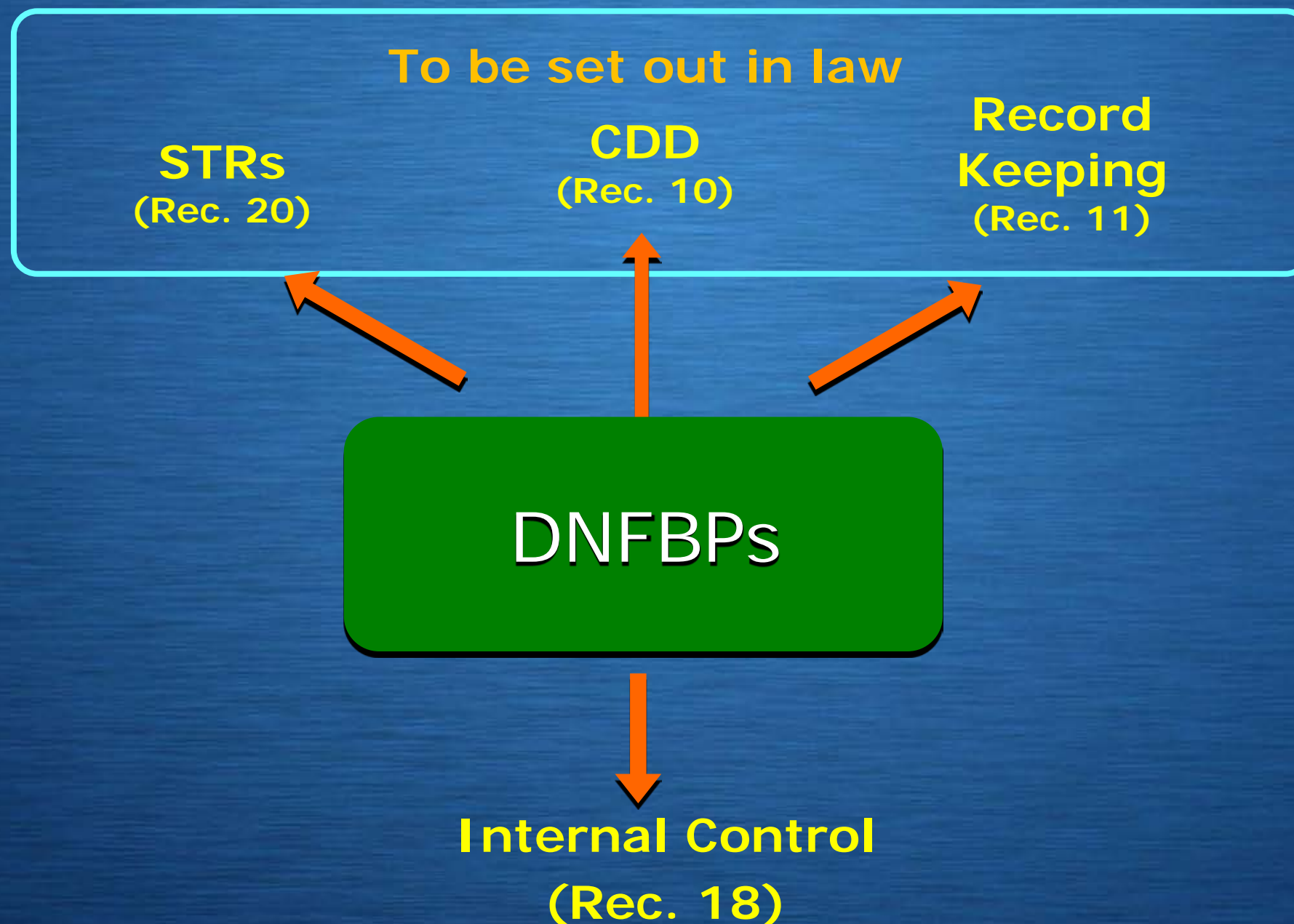
When preparing for/carrying out transactions for client concerning

- buying / selling of real estates
- managing of client money, securities or other assets
- managing of bank, savings or securities accounts
- organisation of contributions for the creation, operation or management of companies
- creation, operation or management of legal persons or arrangements; buying / selling business entities



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REGULATION AND SUPERVISION

Competent authority or
Self-regulatory Body (SRB)
(Rec. 28)

DNFBPs

Sanctions
(Rec. 35)

Guidelines
(Rec. 34)



1. Standards of the Financial Action Task Force (FATF)

- Major requirements to DNFBPs

Risk Based Approach

- A new Recommendation introduced in 2012
- Applies across all relevant FATF recommendations

(Recommendation 1)



2. Latest Development

- ▶ 1st Mutual Evaluation
 - ▶ 1994
- ▶ 2nd Mutual Evaluation
 - ▶ 1998
- ▶ 3rd Mutual Evaluation
 - ▶ 2007



2. Latest Development

REMOVAL FROM FATF's FOLLOW-UP PROCEDURES

- At FATF Plenary in October 2012, FATF recognized Hong Kong's efforts and agreed unanimously amongst member jurisdictions to remove Hong Kong from its "follow-up process"
 - bringing the United Nations (Anti-Terrorism Measures) Ordinance (UNATMO) into full operation on 1 January 2011 and
 - implementing the Anti-Money Laundering and Counter Terrorist Financing (Financial Institutions) Ordinance (AMLO) since 1 April 2012
- Areas for improvement in Hong Kong's AML/CFT regime remained



2. Latest Development

REMOVAL FROM FATF's FOLLOW-UP PROCEDURES

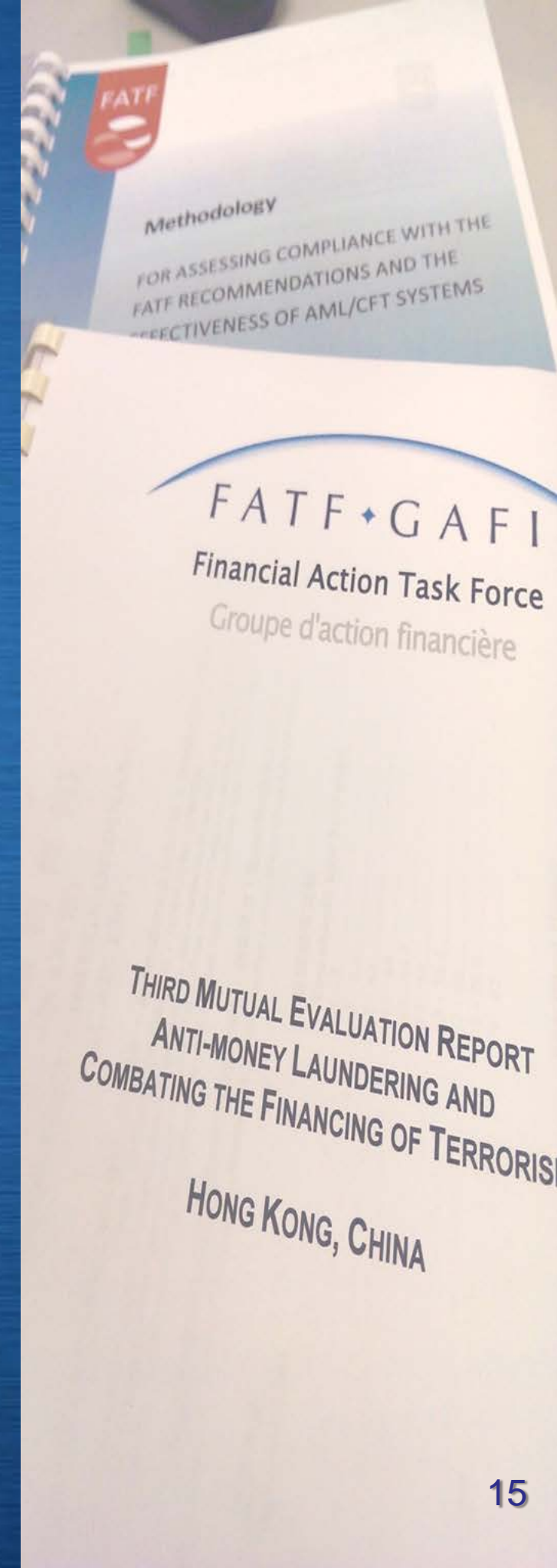
- Upgrading of compliance level of DNFBPs-related Recommendations from “Non-compliant” to “Partially compliant”:
 - a number of initiatives have been taken to raise AML/CFT awareness of DNFBPs
 - voluntary initiatives launched to encourage the sector to comply with basic preventive AML/CFT measures
 - more progress is nevertheless required to develop an appropriate AML/CFT regulatory framework for DNFBPs
 - to ensure that non-compliant DNFBPs are sanctioned



2. The Fourth Mutual Evaluation

4th Mutual Evaluation

- Schedule
 - On-site visit: 4th quarter of 2017 or 1st quarter of 2018
- Assessments
 - Technical Compliance
 - Effectiveness



3. WAY FORWARD

LEGISLATION ON CDD &

RECORD KEEPING FOR DNFBPS

- more detailed study and planning are needed
- continue to maintain dialogue with the professional bodies / organisations



3. WAY FORWARD

GUIDING PRINCIPLES

- Acknowledge the threat
- Conform with international standards
- Address HK's own circumstances
- Build up partnership



REFERENCES

FATF

www.fatf-gafi.org

Narcotic Division, Security Bureau

www.nd.gov.hk

Anti-Money Laundering and Counter-Terrorist
Financing (Financial Institutions) Ordinance

www.legislation.gov.hk



THANK YOU

