

8 November 2019

Our Ref: INS/TEC/6/45

To : Chief Executives of all authorized insurers  
carrying on long term business

Dear Sirs,

### **Statements issued by the Financial Action Task Force (“FATF”)**

Further to our letter of 15 July 2019, we are writing to inform you of the following developments:

(1) FATF Public Statement

The FATF issued an updated statement on 18 October 2019 identifying jurisdictions that have strategic deficiencies in their anti-money laundering and combating the financing of terrorism (“AML/CFT”) regimes. The statement can be found on the website of FATF (<https://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/public-statement-october-2019.html>).

(i) Jurisdiction subject to a FATF call on its members and other jurisdictions to apply counter-measures

#### **Democratic People’s Republic of Korea (“DPRK”)**

The FATF remains concerned by the DPRK’s failure to address the significant deficiencies in its AML/CFT regime and the serious threats they pose to the integrity of the international financial system. Further, the FATF has serious concerns with the threat posed by the DPRK’s illicit activities related to the proliferation of weapons of mass destruction (“WMD”) and its financing. The FATF calls on its members and urges other jurisdictions to apply effective counter-measures and targeted financial sanctions in accordance with applicable United Nations Security Council Resolutions to protect their financial sectors from money laundering, financing of terrorism and WMD proliferation financing risks emanating from the DPRK.

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You should give special attention to business relationships and transactions with the DPRK, including DPRK companies, financial institutions and those acting on their behalf, and subject them to increased scrutiny and enhanced due diligence.

In addition, you are reminded that it is an offence under section 4 of the Weapons of Mass Destruction (Control of Provision of Services) Ordinance (Cap. 526) for a person to provide any services where he believes or suspects, on reasonable grounds, that those services may be connected to WMD proliferation.

- (ii) Jurisdiction subject to a FATF call on its members and other jurisdictions to apply enhanced due diligence measures

### **Iran**

The FATF expresses its disappointment that the Action Plan that Iran adopted in June 2016 to address its strategic AML/CFT deficiencies remains outstanding, and expects Iran to proceed swiftly to address all the remaining items. The FATF remains concerned with the terrorist financing risk emanating from Iran and the threat this poses to the international financial system.

You should continue to apply enhanced due diligence, proportionate to the risks, with respect to business relationships and transactions with natural and legal persons from Iran, including (1) obtaining information on the reasons for intended transactions; and (2) conducting enhanced monitoring of business relationships, by increasing the number and timing of controls applied, and selecting patterns of transactions that need further examination.

- (2) FATF Statement on Improving Global AML/CFT Compliance: On-going Process

The FATF also issued an updated statement on 18 October 2019 identifying jurisdictions that have strategic AML/CFT deficiencies for which they have developed an action plan with the FATF and provided a written high-level political commitment to address the identified deficiencies.

The FATF and FATF-style regional bodies will continue to work with these jurisdictions and to report on the progress made in addressing the identified deficiencies. The statement can be found on the website of FATF (<https://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/fatf-compliance-october-2019.html>).

(3) Outcomes from the Meeting of the FATF Plenary, 16-18 October 2019

In addition, the FATF has published various outcomes of its recent Plenary Meeting which may be of interest to you. Further information can be found on the website of the FATF (<https://www.fatf-gafi.org/publications/fatfgeneral/documents/outcomes-plenary-october-2019.html>).

In particular, the Plenary discussed the use of digital identity and the FATF released a draft guidance on it for public consultation on 31 October 2019. This draft guidance analyses the use, reliability and independence of digital identification systems. It looks at how digital identity systems could meet FATF's customer due diligence requirements.

(4) FATF Business Bulletin

The FATF from time to time produces business bulletins that highlight the FATF's decisions (e.g. Mutual Evaluation or Follow-up reports) and new guidance or other products that are particularly relevant to the private sector. For example, the bulletin of September 2019 includes a brief summary on the Mutual Evaluation Report of Hong Kong. You are encouraged to read the bulletin to keep updated on recent international AML/CFT developments and may subscribe to the business bulletin at: (<http://www.fatf-gafi.org/publications/fatfgeneral/documents/private-sector-business-bulletin.html>).

Should you have any enquiries regarding the above, please contact Mr Joseph Lee at 3899 9755 or Ms Stephanie Luk at 3899 9758.

Yours faithfully,

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