

Our Ref: INS/TEC/6/45

9 May 2025

To: Chief Executives / Responsible Officers of all insurance institutions (“IIs”)¹

Dear Sirs/Madams,

AML/CFT Onsite Inspections – general observations and approach

We are writing to you on the subject of the routine inspections that the Insurance Authority (“IA”) carries out to ascertain standards of anti-money laundering (“AML”) and counter-financing of terrorism (“CFT”) compliance across the Hong Kong insurance market.

To whom this circular is relevant

This circular is relevant to all insurance institutions (“II”) as defined in the Guideline on Anti-Money Laundering and Counter-Terrorist Financing (“the Guideline”) issued by the IA, namely:

- authorized insurers and reinsurers carrying on long term business; and
- licensed individual insurance agents, licensed insurance agencies and licensed insurance broker companies carrying on regulated activities in respect of long term business.

These IIs are subject to, and required to comply with requirements set out in the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615) (“AMLO”).

Sharing lessons from our inspections under the AMLO

Under section 9 of the AMLO, the IA is empowered to carry out routine inspections of IIs to ascertain their compliance with their obligations under Schedule 2 of the AMLO. In broad terms, these obligations require an II to:

¹ The definition of IIs should be construed in conjunction with the Guideline on Anti-Money Laundering and Counter-Terrorist Financing (“GL3”), i.e. authorized insurers and reinsurers carrying on long term business, and licensed individual insurance agents, licensed insurance agencies and licensed insurance broker companies carrying on regulated activities in respect of long term business.

- comply with certain customer due diligence and record-keeping requirements;
- establish effective procedures for the purposes of complying with such requirements and to take all reasonable measures to ensure that proper safeguards exist to prevent their contravention; and
- take all reasonable measures to mitigate money laundering and terrorist financing (“ML/TF”) risks.

These obligations are supplemented by the Guideline promulgated by the IA under AMLO and the Insurance Ordinance (“IO”).

The inspection process enables the IA to assess in-situ the adequacy of an II’s controls and processes for compliance with the requirements in the AMLO and the Guideline. During an inspection, IA inspectors discuss these controls and processes with an II’s senior management, compliance and operational personnel, highlight areas where reasonable and practical improvements are needed, and follow up to ensure such improvements are implemented.

The IA will also periodically share general lessons learned in its inspections through seminars, training and circulars. The purpose of this circular is to do exactly that. In **Annex A** you will find a summary of the IA’s general observations from AML/CFT routine inspections of IIs we have carried out and completed during the period from June 2018 to December 2024.

We also take the opportunity, in **Annex A**, to highlight aspects of the IA’s general approach to such inspections and in particular to the graduated communication tools we utilize to inform senior management in IIs of our observations (and to follow up their rectification).

The value of the inspection process

The inspection process serves as a valuable dynamic in ensuring AML and CFT compliance standards across the insurance industry are maintained and kept up-to-date, in line with both international standards and with evolving compliance practices and methods. In the same way that IIs are increasingly adopting technology solutions to enhance their compliance processes, the IA is increasingly adopting suptech and data analytics to ensure the effectiveness of its inspection methods. The dynamic of inspection and the continual improvement it drives thereby reinforces the important role which the Hong Kong insurance market plays in maintaining Hong Kong’s position at the forefront of AML/CFT compliance and as an international finance centre.

We would like to take this opportunity to thank all IIs and their personnel for their engagement with us during our inspections and we look forward to that continued engagement and cooperation going forward.

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Should you have any enquiries regarding the above, please contact Mr. Joseph Lee at 3899 9755 or Mr. Jonathan Fung at 3899 9994.

Yours faithfully,

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Encl.

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