

Our Ref: INS/TEC/6/45

13 November 2020

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

Dear Sirs,

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

Further to our letter of 14 July 2020, we are writing to inform you of the following developments:

(1) High-Risk Jurisdictions subject to a Call for Action

As the FATF decided to pause the review process for this list in August 2020 in response to the COVID-19 crisis, the FATF has issued a statement on 23 October 2020² advising its members to refer to the list of high-risk jurisdictions subject to a call for action adopted in February 2020, namely Iran and the Democratic People’s Republic of Korea. While the aforesaid February 2020 statement may not necessarily reflect the most recent status in Iran and the Democratic People’s Republic of Korea’s AML/CFT regime, the FATF’s call for action on these high-risk jurisdictions remains in effect³. The statement identifying high-risk jurisdictions subject to a call for action in February 2020 can be found on the website of the FATF (<https://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/call-for-action-february-2020.html>).

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¹ Definition of IIs should be construed in conjunction with the Guideline on Anti-Money Laundering and Counter-Terrorist Financing, 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.

² The statement can be found on the website of the FATF (<http://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/call-for-action-october-2020.html>).

³ Please refer to our circular issued on 18 March 2020 (https://www.ia.org.hk/en/legislative_framework/circulars/antimoney_laundrying/files/cir_aml_20200318_nosigned.pdf).

(2) Jurisdictions under Increased Monitoring

In addition, the FATF issued an updated statement on Jurisdictions under Increased Monitoring which can be found on the website of the FATF (<https://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/increased-monitoring-october-2020.html>). The FATF congratulated Iceland and Mongolia for the significant progress they have made in addressing the strategic AML/CFT deficiencies identified earlier by the FATF and included in their respective action plans. Iceland and Mongolia will no longer be subject to the FATF's increased monitoring process.

The FATF will closely monitor the progress made by these jurisdictions in addressing the identified strategic deficiencies and encourages its members to take into account the information presented in their risk analysis.

As the FATF will continue to assess the progress made by these jurisdictions in addressing the deficiencies in their AML/CFT systems and issue updated statements from time to time, IIs are reminded to browse the website of the FATF for the latest information.

(3) Other Outcomes from the FATF Virtual Plenary, 21-23 October 2020

In addition to the statements in (1) and (2) above, the FATF also published various other outcomes of its recent Virtual Plenary which may be of interest to you. They include:

- (a) adoption of the amendments to Recommendations 1 and 2 and their Interpretative Notes that require countries and the private sector to identify, and assess the risks of potential breaches, non-implementation or evasion of the targeted financial sanctions related to proliferation financing, as contained in FATF Recommendation 7, and to take action to mitigate these risks, as well as to enhance domestic coordination⁴. The FATF will develop guidance to assist countries and the private sector in assessing and mitigating the proliferation financing risk; and

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⁴ The full public statement on adoption of these revisions to the FATF Recommendations can be found on the website of the FATF (<https://www.fatf-gafi.org/publications/financingofproliferation/documents/statement-proliferation-financing-2020.html>).

- (b) the FATF has found that the analysis in its May 2020 report⁵ on the challenges, good practices and policy responses to new money laundering and terrorist financing threats and vulnerabilities arising from the COVID-19 crisis remains relevant. It is crucial that jurisdictions continue to apply a risk-based approach to ensure that measures to prevent or mitigate the risks are commensurate with the money laundering and terrorist financing risks identified⁶.

Further information on the FATF Plenary's outcomes can be found on the website of the FATF (<http://www.fatf-gafi.org/publications/fatfgeneral/documents/outcomes-fatf-plenary-october-2020.html>).

Should you have any enquiries regarding the above, please contact Mr Steven Ho at 3899 9752 or Mr James Luo at 3899 9773.

Yours faithfully,

Dickson Chui
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c.c. The Hong Kong Federation of Insurers
Professional Insurance Brokers Association
The Hong Kong Confederation of Insurance Brokers

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⁵ The report, namely COVID-19-related Money Laundering and Terrorist Financing Risks and Policy Responses, can be found on the website of the FATF (<https://www.fatf-gafi.org/media/fatf/documents/COVID-19-AML-CFT.pdf>).

⁶ The full public statement on ML/TF risks and FATF policy responses to COVID-19 can be found on the website of the FATF (<https://www.fatf-gafi.org/publications/fatfgeneral/documents/covid-19-impact-oct-2020.html>).