

Our Ref: INS/TEC/6/45

12 November 2021

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

Dear Sirs,

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

Publication of Revised Application Paper on Combating Money Laundering and Terrorist Financing by the International Association of Insurance Supervisors (“IAIS”)

We are writing to inform you of the following developments:

(1) The FATF Statement

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

Since February 2020, in light of the COVID-19 pandemic, the FATF has paused the review process for countries in the list of high-risk jurisdictions subject to a call for action, given that they are already subject to the FATF’s call for countermeasures. Therefore, the FATF issued a statement on 21 October 2021² 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 of 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 (“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.

² The statement 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-october-2021.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).

(b) 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-2021.html>).

The statement sets out the list of jurisdictions that have committed to resolve swiftly strategic deficiencies in their regimes to counter money laundering, terrorist financing, and proliferation financing within agreed timeframes and are subject to increased monitoring. 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 the statement 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.

(c) Other Outcomes from the FATF Virtual Plenary, 19–21 October 2021

In addition to the statements in (a) and (b) above, the FATF also published various other outcomes of its recent Plenary which may be of interest to IIs. They include 1) publication of the revised Guidance for a Risk-Based Approach to Virtual Assets and Virtual Asset Service Providers⁴; 2) launch of a public consultation on proposed amendments to Recommendation 24 and its Interpretation Note on transparency and beneficial ownership of legal persons⁵; 3) issuance of a statement on the situation in Afghanistan⁶; and 4) issuance of a statement on the financing of ISIL, Al Qaeda and affiliates⁷ regarding the recent terrorist attacks in Afghanistan, Iraq and other regions. IIs should pay attention to these developments and consider their impact on relevant AML/CFT policies, procedures and controls in a risk-based manner and take appropriate steps to ensure compliance with relevant legal and regulatory obligations.

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⁴ The revised Guidance for a Risk-Based Approach to Virtual Assets and Virtual Asset Service Providers can be found on the website of the FATF (<https://www.fatf-gafi.org/media/fatf/documents/recommendations/Updated-Guidance-VA-VASP.pdf>).

⁵ Proposed amendments to Recommendation 24 and its Interpretation Note on transparency and beneficial ownership of legal persons can be found on the website of the FATF (https://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/Pdf-file_R24-Beneficial-Ownership-Public-Consultation.pdf).

⁶ The statement on the situation in Afghanistan can be found on the website of the FATF (<https://www.fatf-gafi.org/publications/fatfgeneral/documents/afghanistan-2021.html>).

⁷ The statement on the financing of ISIL, Al Qaeda and affiliates can be found on the website of the FATF (<https://www.fatf-gafi.org/publications/fatfgeneral/documents/statement-isil-al-qaeda.html>).

Further information of the FATF Plenary's outcomes can be found on the website of the FATF.

(<https://www.fatf-gafi.org/publications/fatfgeneral/documents/outcomes-fatf-plenary-october-2021.html>).

(2) Revised Application Paper on Combating Money Laundering and Terrorist Financing by the IAIS

Following various updates of the FATF Recommendations in recent years and publication in 2018 of the revised FATF Guidance for a Risk-Based Approach in the Life Insurance Sector, the IAIS revised ICP 22. In light of these developments, the IAIS has published a revision of the Application Paper on Combating Money Laundering and Terrorist Financing, which entails updates in order to align terminology and to ensure consistency with the FATF recommendations, as well as new guidance on elements reflected in the latest version of ICP 22. The revised Application Paper on Combating Money Laundering and Terrorist Financing can be found on the website of the IAIS (<https://www.iaisweb.org/page/supervisory-material/application-papers/file/101910/application-paper-on-combating-money-laundering-and-terrorist-financing>) or our website (https://www.ia.org.hk/en/supervision/antimoney_laundering/reference_materials_and_relevant_websites.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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Market Conduct Division
Insurance Authority

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