

保險業監理處

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29 January 2014

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To : Chief Executives of all authorized insurers

Dear Sirs,

**Money Laundering and Terrorist Financing Risks  
Associated with Virtual Commodities**

In light of recent developments of virtual commodities such as Bitcoin and the money laundering and terrorist financing (“ML/TF”) risks associated therewith, we would like to remind you of the necessity to take all reasonable measures to mitigate the relevant ML/TF risks that you may encounter in this connection taking into account the related developments.

According to paragraph 3.5 of the Guideline on Anti-Money Laundering and Counter-Terrorist Financing (“Guideline”), services that inherently provide more anonymity necessarily pose higher ML/TF risks. Virtual commodities that are transacted or held on the basis of anonymity by their nature present significantly higher inherent ML/TF risks. You are hence advised to safeguard against the ML/TF risks associated with potential or existing customers which are operators of schemes related to virtual commodities (“VC operators”)<sup>1</sup> through enhanced level of vigilance as well as on-going monitoring of unusual or suspicious transactions.

Specifically, when performing such risk assessments, you should take into consideration the ML/TF risks associated with virtual commodities as mentioned above, together with all other applicable factors (re paragraph 3.5 of the Guideline) including, where relevant, whether the customer as a VC operator has established effective controls against ML/TF involving virtual commodities. Where a high ML/TF risk situation is assessed as a result, you should take additional measures of enhanced due diligence to mitigate the

<sup>1</sup> Examples are entities operating virtual commodities exchange, brokerage or transaction processing services (including provision of machines/channels that facilitate the sale and purchase of virtual commodities).

ML/TF risk involved with reference to those set out in paragraph 4.11.1 of the Guideline. These additional measures may include:

- (a) obtaining additional information on the customer and updating more regularly the customer profile including the identification data;
- (b) obtaining additional information on the intended nature of the business relationship, the source of wealth and source of funds;
- (c) obtaining the approval of senior management to commence or continue the relationship; and
- (d) conducting enhanced monitoring of the business relationship, by increasing the number and timing of the controls applied and selecting patterns of transactions that need further examination.

In this connection, you should also be mindful of your statutory obligation to report to the Joint Financial Intelligence Unit where there is knowledge or suspicion of ML/TF cases.

Should you have any enquiries on the above, please contact Mr Dickson Chui at 2153 2755 or Mr Wilson Choy at 2153 2748.

Yours faithfully,

(Miss Nancy Chien)  
for Commissioner of Insurance  
(Insurance Authority)

c.c. Chairman, The Hong Kong Federation of Insurers