

2 May 2018

Our Ref: INS/TEC/6/45

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

Dear Sirs,

Hong Kong's Money Laundering and Terrorist Financing Risk Assessment Report

We are writing to draw your attention to the captioned Report (“the Report”) published by the Government on 30 April 2018. Having regard to Recommendation 1 of the Financial Action Task Force (“FATF”) for jurisdictions to identify and assess their money laundering and terrorist financing (“ML/TF”) risks and to apply corresponding mitigating measures, the Report examines the ML/TF threats and vulnerabilities faced by various sectors in Hong Kong and the city as a whole. Conducting such a risk assessment is a crucial part of fulfilling Hong Kong’s obligation under the FATF standards¹.

The Report can be found on the Government’s website (<https://www.fstb.gov.hk/fsb/aml/en/risk-assessment.htm>).

Institutional Risk Assessment (“IRA”)

As highlighted in anti-money laundering and counter-financing of terrorism (“AML/CFT”) seminars previously held, you are required to identify, assess and understand the ML/TF risks to which you are exposed, so as to determine the adequate and appropriate AML/CFT policies, procedures and controls that should be implemented to mitigate the risks of ML/TF identified². In this regard, you should give due consideration to the ML/TF threats and vulnerabilities identified in the Report (in particular those in Chapter 5.5 on the assessment of ML risks of the insurance sector) that are relevant to your own circumstances³ in your risk assessment process. Per the aforesaid IRA, we reiterate that you should have:

¹ For details, please refer to FATF Recommendation 1 and its interpretative note.

(<http://www.fatf-gafi.org/publications/fatfrecommendations/documents/fatf-recommendations.html>).

² Please see Chapter 2 of the Guideline on Anti-Money Laundering and Counter-Terrorist Financing.

³ Taking into account all relevant risk factors such as those in respect of products and services offered, delivery and distribution channels, types of customers, countries and geographical locations involved.

- (a) documented the risk assessment process which includes the identification and assessment of relevant risks, supported by qualitative and quantitative analysis and information obtained from relevant internal and external sources;
- (b) considered all the relevant risks factors before determining what the level of overall risk is and the appropriate level and type of mitigation to be applied;
- (c) obtained the approval of senior management on the assessment results;
- (d) a process by which the risk assessment is kept up-to-date; and
- (e) appropriate mechanisms to provide your risk assessment to the Insurance Authority when required to do so.

Should you have any enquiries regarding the above, please contact Mr Steven Ho at 3899 9752 or Mr Penny Chiu at 3899 9756.

Yours faithfully,

Dickson Chui
Senior Manager
Market Conduct Division
Insurance Authority

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