

15 July 2019

Our Ref: INS/TEC/6/45

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

Dear Sirs,

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

Further to our letter of 13 March 2019, we are writing to inform you of the following developments:

(1) FATF Public Statement

The FATF issued an updated statement on 21 June 2019 identifying jurisdictions that have strategic deficiencies in their anti-money laundering and combating the financing of terrorism (“AML/CFT”) regimes. The statement can be found on the website of FATF (<http://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/public-statement-june-2019.html>).

(i) Jurisdiction subject to a FATF call on its members and other jurisdictions to apply counter-measures

Democratic People’s Republic of Korea (“DPRK”)

The FATF remains concerned by the DPRK’s failure to address the significant deficiencies in its AML/CFT regime and the serious threats they pose to the integrity of the international financial system. Further, the FATF has serious concerns with the threat posed by the DPRK’s illicit activities related to the proliferation of weapons of mass destruction (“WMD”) and its financing. The FATF calls on its members and urges other jurisdictions to apply effective counter-measures and targeted financial sanctions in accordance with applicable United Nations Security Council Resolutions to protect their financial sectors from money laundering, financing of terrorism and WMD proliferation financing risks emanating from the DPRK.

You should give special attention to business relationships and transactions with the DPRK, including DPRK companies, financial institutions and those acting on their behalf, and subject them to increased scrutiny and enhanced due diligence.

In addition, you are reminded that it is an offence under section 4 of the Weapons of Mass Destruction (Control of Provision of Services) Ordinance (Cap. 526) for a person to provide any services where he believes or suspects, on reasonable grounds, that those services may be connected to WMD proliferation.

- (ii) Jurisdiction subject to a FATF call on its members and other jurisdictions to apply enhanced due diligence measures

Iran

The FATF decided to continue the suspension of counter-measures while expressing disappointment that the Action Plan remains outstanding, and expected Iran to proceed swiftly to address all the remaining items. The FATF remains concerned with the terrorist financing risk emanating from Iran and the threat this poses to the international financial system.

You should continue to apply enhanced due diligence, proportionate to the risks, with respect to business relationships and transactions with natural and legal persons from Iran, including (1) obtaining information on the reasons for intended transactions; and (2) conducting enhanced monitoring of business relationships, by increasing the number and timing of controls applied, and selecting patterns of transactions that need further examination.

- (2) FATF Statement on Improving Global AML/CFT Compliance: On-going Process

The FATF also issued an updated statement on 21 June 2019 identifying jurisdictions that have strategic AML/CFT deficiencies for which they have developed an action plan with the FATF and provided a written high-level political commitment to address the identified deficiencies.

The FATF and FATF-style regional bodies will continue to work with these jurisdictions and to report on the progress made in addressing the identified deficiencies. The statement can be found on the website of FATF (<http://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/fatf-compliance-june-2019.html>).

(3) Outcomes from the Meeting of the FATF Plenary, 19-21 June 2019

In addition, the FATF has published various outcomes of its recent Plenary Meeting which may be of interest to you. Further information can be found on the website of the FATF (<http://www.fatf-gafi.org/publications/fatfgeneral/documents/outcomes-plenary-june-2019.html>).

In particular, the Plenary discussed the mutual evaluation report of Hong Kong, China and the level of effectiveness of its AML/CFT system as well as its level of compliance with the FATF Recommendations. The mutual evaluation report is expected to be published by September 2019 after FATF's internal quality and consistency review.

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. Chairman, The Hong Kong Federation of Insurers