

Our Ref: INS/TEC/6/45

4 July 2023

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 10 March 2023, we are writing to inform you of the following developments:

- (1) High-Risk Jurisdictions subject to a Call for Action
 - (a) Jurisdictions subject to a FATF call on its members and other jurisdictions to apply countermeasures – Iran and the Democratic People’s Republic of Korea

Since February 2020, in light of the COVID-19 pandemic, the FATF has paused the review process for Iran and the Democratic People’s Republic of Korea, given that they are already subject to the FATF’s call for countermeasures. Therefore, the FATF issued a statement on 23 June 2023² advising its members to refer to the statement on these jurisdictions adopted in February 2020. 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 regimes, the FATF’s call to apply countermeasures 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>).

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/en/publications/Fatfgeneral/Call-for-action-June-2023.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) Jurisdiction subject to a FATF call on its members and other jurisdictions to apply enhanced due diligence measures proportionate to the risks arising from the jurisdiction – Myanmar

Meanwhile, the call by the FATF on its members and other jurisdictions² to apply enhanced due diligence measures proportionate to the risks arising from Myanmar in the October 2022 statement remains in effect.

Given the continued lack of progress and the majority of action items in relation to Myanmar's strategic deficiencies were still not addressed after a year beyond the action plan deadline, the FATF decided that the aforesaid further action was necessary in line with its procedures. The FATF urged Myanmar to work to fully address its AML/CFT deficiencies and it will remain on the list of countries subject to a call for action until its full action plan is completed.

In this connection, IIs should apply enhanced due diligence measures, proportionate to the risks, to business relationships and transactions with natural and legal persons from Myanmar.

(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/en/publications/Fatfgeneral/Increased-monitoring-june-2023.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.

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(3) Other Outcomes from the FATF Plenary, 21 – 23 June 2023

In addition to the statements in (1) and (2) above, the FATF also published various other outcomes of its recent Plenary which may be of interest to IIs. They include, for example, the discussion of an update of the FATF Best Practices Paper on Combating the Abuse of Non-Profit Organisations (“NPOs”), which aims to help countries, financial institutions and NPOs effectively implement risk-based measures to protect NPOs from potential TF abuse, without disrupting or discouraging legitimate NPO activities. Further information on the FATF Plenary’s outcomes can be found on the website of the FATF (<https://www.fatf-gafi.org/en/publications/Fatfgeneral/outcomes-fatf-plenary-june-2023.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
Senior Manager
Market Conduct Division
Insurance Authority

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