

Our Ref: INS/TEC/6/45

9 November 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 4 July 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. Iran reported in July 2023 with no material change in the status of its action plan. Thus, the FATF issued a statement on 27 October 2023² reiterating its call to apply countermeasures³ on these high-risk jurisdictions included in its statement of February 2020⁴.

(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

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 October 2023 statement can be found on the website of the FATF (<https://www.fatf-gafi.org/content/fatf-gafi/en/publications/High-risk-and-other-monitored-jurisdictions/Call-for-action-october-2023.html>).

³ Please refer to our circular issued on 18 March 2020 (https://www.ia.org.hk/en/legislative_framework/circulars/antimoney_laundering/files/cir_aml_20200318_nosigned.pdf).

⁴ The February 2020 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-february-2020.html>)

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/High-risk-and-other-monitored-jurisdictions/Increased-monitoring-october-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.

(3) Other Outcomes from the FATF Plenary, 25 – 27 October 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:-

- (a) the Best Practices Paper on Combating the Abuse of Non-Profit Organisations (“NPOs”) was updated, which helps countries, the non-profit sector and financial institutions understand how best to protect relevant NPOs from abuse for terrorist financing;

- (b) a report on crowdfunding for terrorism financing which includes a list of risk indicators with the aim to help public and private sector entities, and the general public, identify potential attempts at terrorist financing activity using crowdfunding will be published in October;
- (c) a cyber-enabled fraud related report which identifies risk indicators and useful anti-fraud requirements and controls that may help public and private sector entities detect and prevent cyber-enabled fraud and related money laundering will be published in November;
- (d) the risk-based guidance on beneficial ownership and transparency of legal arrangements is being updated which aims to help stakeholders from the public and private sectors that are involved in trusts or similar legal arrangements to assess and mitigate money laundering and terrorist financing risks; and
- (e) Indonesia was granted a full FATF membership.

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-october-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
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Market Conduct Division
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