

Our Ref: INS/TEC/6/45

17 March 2020

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 8 November 2019, we are writing to inform you of the following developments:

(1) High-Risk Jurisdictions subject to a Call for Action

The FATF has issued a statement on 21 February 2020 identifying high-risk jurisdictions that have significant strategic deficiencies in their regimes to counter money laundering, terrorist financing and financing of proliferation. The FATF calls on all members and urges all jurisdictions to apply enhanced due diligence and counter-measures to protect the international financial system from the ongoing money laundering, terrorist financing, and proliferation financing risks emanating from the jurisdictions. The statement can be found on the website of FATF (<https://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/call-for-action-february-2020.html>).

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

The FATF remains concerned by the DPRK’s failure to address the significant deficiencies in its anti-money laundering and counter-financing of terrorism (“AML/CFT”) regime and the threat posed by the DPRK’s illicit activities related to the proliferation of weapons of mass destruction (“WMD”) and its financing. IIs should give special attention to business relationships and transactions associated with the DPRK, including DPRK companies, financial institutions and those acting on their behalf, and subject them to increased scrutiny and enhanced due diligence.

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¹ Definition of IIs should be construed in conjunction with the Guideline on Anti-Money Laundering and Counter-Terrorist Financing 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.

In addition, IIs 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) Iran

The FATF fully lifts the suspension of counter-measures given Iran's failure to enact the Palermo and Terrorist Financing Conventions in line with the FATF Standards. The FATF remains concerned with the terrorist financing risk emanating from Iran and the threat this poses to the international financial system.

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

(2) Jurisdictions under Increased Monitoring

The FATF has also issued a statement on jurisdictions that have strategic deficiencies in their AML/CFT and counter proliferation financing regimes but have committed to resolve swiftly the identified strategic deficiencies within agreed timeframes and are subject to increased monitoring. The statement can be found on the website of the FATF (<http://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/increased-monitoring-february-2020.html>).

(3) Other Outcomes from the FATF Plenary, Paris, 19-21 February 2020

In addition, the FATF has published various outcomes of its recent Plenary Meeting which may be of interest to IIs. In particular, recognising the potential that innovation offers to improve AML/CFT efforts, the FATF has published on 6 March 2020 a new guidance paper on digital identity which explains the FATF's requirements for customer identification and verification and ongoing due diligence and how these can align with key components of digital identity systems. Further information can be found on the website of the FATF (<http://www.fatf-gafi.org/publications/fatfgeneral/documents/outcomes-fatf-plenary-february-2020.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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