

13 July 2017

Direct line: 2153 2181

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 on Money Laundering
("FATF")**

Further to the letter of 17 March 2017 issued by the Office of the Commissioner of Insurance, we are writing to inform you of the following developments:

(1) FATF Public Statement

The FATF issued an updated statement on 23 June 2017 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-riskandnon-cooperativejurisdictions/documents/public-statement-june-2017.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 threat this poses 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.

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You should follow the guidance specified in the FATF Statement and subject the transactions associated with the DPRK 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 welcomes Iran's adoption of an Action Plan to address its strategic AML/CFT deficiencies, and suspended counter-measures for twelve months accordingly in June 2016. In light of Iran's demonstration of its political commitment and the relevant steps it has taken in line with its Action Plan, the FATF has decided to continue the suspension of counter-measures. Until Iran implements the measures required to address the deficiencies identified in the Action Plan, the FATF remains concerned with the risk of terrorist financing 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, to business relationships and transactions with natural and legal persons from Iran.

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

The FATF also issued an updated statement on 23 June 2017 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-riskandnon-cooperativejurisdictions/documents/fatf-compliance-june-2017.html>).

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(3) Outcomes from the Meeting of the FATF Plenary, 21-23 June 2017

In addition, the FATF has published various outcomes of its recent Plenary Meeting which may be of interest to you. They include, for example, work on combating terrorist financing and impact of recent FATF work on de-risking. Further information can be found on the website of FATF (<http://www.fatf-gafi.org/publications/fatfgeneral/documents/outcomes-plenary-june-2017.html>).

Should you have any enquiries regarding the above, please contact Mr Steven Ho at 2153 2746 or Mr Penny Chiu at 2153 2745.

Yours faithfully,

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