



Philip Tsang
Chief Inspector of Police

Lorraine Cheng / Shingo Lai
Senior Inspector of Police

Money Laundering / Terrorist Financing Risk Assessment Unit
Narcotics Bureau
Hong Kong Police Force



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Background

- FATF Recommendation 1 requires jurisdictions to identify, assess and understand the ML/TF risk and to update the risk regularly
- HK adopts the World Bank Model as the methodology in conducting the ML/TF Risk Assessment
- The FSTB is the overall coordinator of the ML/TF Risk Assessment. Various Government bureaux and departments, financial regulators and other law enforcement agencies, including SB, CEDB, DoJ, HKMA, SFC, IA, HKPF, C&ED, ICAC, ImmD, IRD and CR, also take part in the Risk Assessment
- The RAU of NB supports the FSTB in conducting the territory-wide ML/TF Risk Assessment





Overall ML / TF Risk

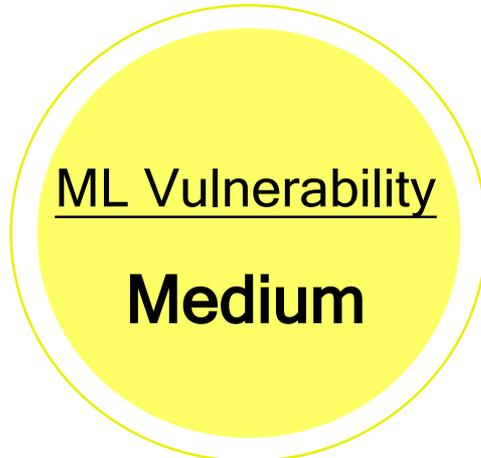


Sectoral Risk

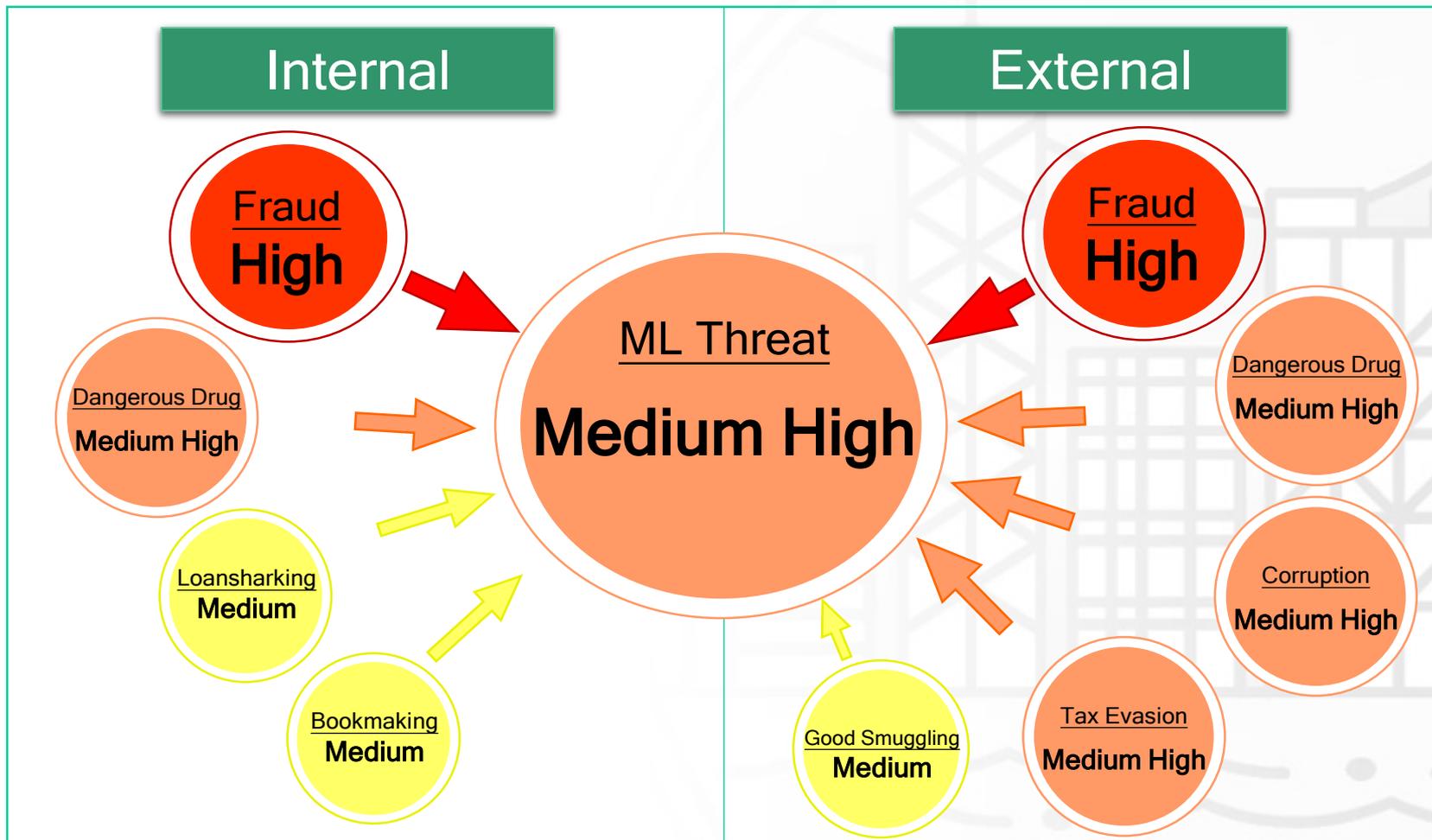
- 12 sectoral assessments are conducted and their ML risks, as summarised below, will be further discussed and explained by the relevant regulators / self-regulatory bodies:

	Sector	Assessment
Financial Sectors	Banking	High
	Securities	Medium
	Money service operators	Medium-high
	Insurance	Medium-low
	Money lenders	Medium-low
DNFBP Sectors	Legal profession	Medium
	Accounting profession	Medium
	TCSPs	Medium-high
	Estate agents	Medium
	DPMS	Medium-low to Medium
New Payment Methods	Stored value facilities	Medium
	Virtual currencies	Medium-low

ML Risk



ML Threat





ML Threat

ML Threat
Medium High

- External ML Threat > Internal ML Threat
- Fraud - prevalent crime
- Technology Crime - increasing global trend
- Banking sector - dominant sector misused





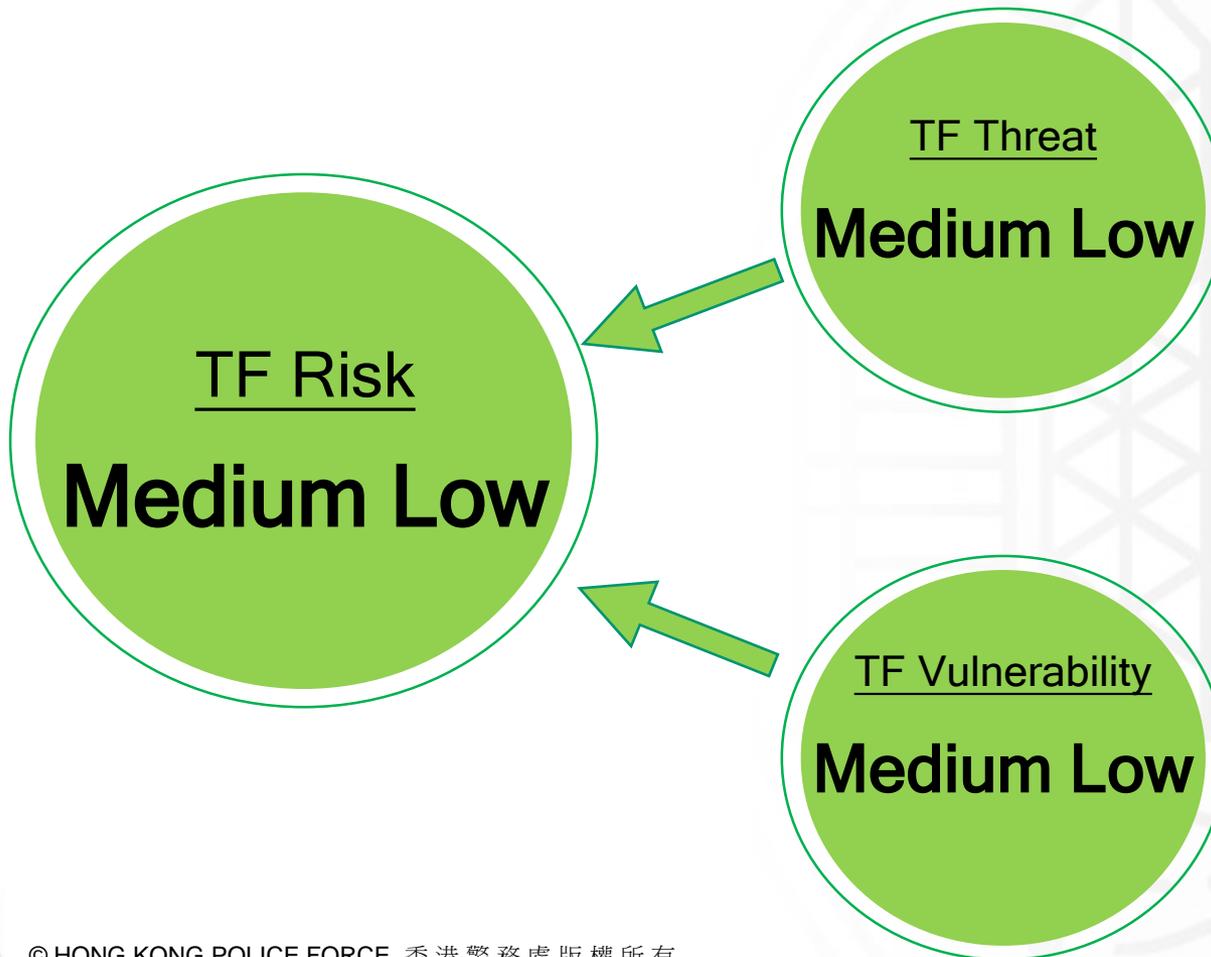
ML Vulnerability

ML Vulnerability
Medium

- HK has a strong ML/TF combating ability (Medium High)
- Vulnerability varies across sectors
- Legislative exercises were pursued to address these identified gaps
 - DNFBPs regulatory regime (AMLO)
 - Licensing of TCSPs (AMLO)
 - Access to beneficial ownership information held by companies (CO)
 - Detection of cross-boundary movement of large quantity of CBNIs into or out of HK (R32 Ordinance)



TF Risk



TF Threat

TF Threat

Medium Low

- “Moderate” level of terrorism threat
- No confirmed TF case in HK
- No case of freezing of terrorist property in HK
- External TF Threat > Internal TF Threat
- High-risk patterns associated with TF (e.g. abuse of NPOs, physical movement of large quantity of CBNIs) not observed in HK





TF Vulnerability

TF Vulnerability

Medium Low

- Sound CFT framework in HK + strong combating ability
- However, gaps have been identified in the legislative frameworks
- R32 Ordinance was enacted and amendments were introduced to UNATMO to address the identified gaps
- Vulnerability to international TF trends (e.g. misuse of NPOs)





Hong Kong's AML/CFT Policy

The Government is committed to upholding a robust AML/CFT regime that:

- (a) Fulfils the international AML/CFT standards;
- (b) Deters and detects illicit fund flows in and out of the territory, through the financial system or otherwise;
- (c) Combats ML/TF and restrains and confiscates illicit proceeds effectively;
- (d) Reduces ML/TF vulnerabilities of both financial and non-financial sectors in Hong Kong;
- (e) Adopts an RBA in applying compliance obligations to businesses and individuals;
- (f) Fosters strong external and international collaboration to disrupt global ML/TF threats; and
- (g) Promotes the awareness and builds the capacity of private sector stakeholders in combating ML/TF risks through engagements in AML/CFT efforts.





Hong Kong's AML/CFT Policy

In response to risks and gaps identified in the Risk Assessment, the Government will focus efforts in five major areas:

- (a) Enhancing the AML/CFT legal framework to address gaps in legislation in accordance with international standards and an RBA;
- (b) Strengthening risk-based supervision to ensure targeted regulation of the riskier areas faced by the financial and non-financial sectors;
- (c) Sustaining outreach and capacity-building to promote awareness and understanding of ML/TF risks by various sectors and the wider community on a continuous basis;
- (d) Monitoring new and emerging risks to respond promptly to evolving patterns of predicate offences or terrorism, and modes of ML/TF; and
- (e) Strengthening law enforcement efforts and intelligence capability to tackle domestic and international ML/TF, and enhance restraint and confiscation of the proceeds of crime, including through multi-agency cooperation/partnership.





Conclusion

- Combating ML/TF risks requires the effective co-operation and coordination amongst various sectors and other competent authorities
- The ML/TF Risk Assessment will be updated from time to time to keep abreast of the new and emerging ML/TF risks facing various sectors, as the city as a whole
- The updated ML/TF Risk Assessment will be disseminated to raise the awareness of sectors of the ML/TF risks and to facilitate them in monitoring and undertaking CDD measures





Thank You

