



MSSB/MIS_07/2018
13 August 2018

Circular

**Circular to Money Service Operators
Anti-Money Laundering / Counter-Terrorist Financing
Money Laundering and Terrorist Financing
Institutional Risk Assessment**

Further to our circular issued on 3 May 2018 regarding the publication of Hong Kong's Money Laundering and Terrorist Financing ("ML/TF") Risk Assessment Report, the Customs and Excise Department ("C&ED") would like to draw the attention of money service operators ("MSOs") to the importance of Institutional Risk Assessment ("IRA").

As elaborated in the above-mentioned circular, MSOs are reminded to identify, assess and understand the ML/TF risks to which they are exposed and take anti-money laundering and counter-terrorist financing ("AML/CFT") measures commensurate to those risks in order to mitigate them effectively. An IRA is a crucial step for MSOs to review in the context of, and assess the implications for, enhancing their AML/CFT control frameworks. MSOs should conduct ML/TF risk assessment at both the institutional and customer levels. While the requirements of risk assessment at customer level have been articulated in the AMLO Guideline, the following paragraphs further clarify the expectations of C&ED over MSOs' institutional assessments of their inherent ML/TF risks.

While MSOs may already have ML/TF risk assessments in place, C&ED would like to reiterate that all MSOs should take appropriate steps to identify, assess and understand their ML/TF risks in relation to (1) their customers; (2) the countries or jurisdictions their customers are from or in; (3) the countries or jurisdictions the MSOs have operations in; and (4) the products, services, transactions and delivery channels of the MSOs.

Per the aforesaid IRA, MSOs are expected to have:

- (a) documented the risk assessment process which includes the identification and assessment of relevant risks, supported by qualitative and quantitative analysis and information obtained from relevant internal and external sources;
- (b) considered all the relevant risks factors before determining what the level of overall risk is and the appropriate level and type of mitigation to be applied;
- (c) obtained the approval of senior management on the assessment results;
- (d) a process by which the risk assessment is kept up-to-date; and
- (e) appropriate mechanisms to provide their own risk assessment to the C&ED when required to do so.

Should you have any queries regarding the contents of this circular, please contact us at 2707 7819.

Money Service Supervision Bureau
Customs and Excise Department

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