



MSSB/MIS_10/2018

28 November 2018

Circular to Money Service Operators
Anti-Money Laundering/Counter-Terrorist Financing
Advisory Guideline on Preventing the Misuse of Charities
for Terrorist Financing

The Customs and Excise Department is committed to combating terrorist financing (TF) with the international community. With a view to preventing charities' donations being used by fraudulent fundraising for supporting terrorist activities, the Financial Action Task Force (FATF) has also developed a specific Recommendation 8 which requires FATF members to protect Non-profit Organizations, including charities from TF abuse. In 2007, the Narcotics Division of the Security Bureau first promulgated "An Advisory Guideline on Preventing the Misuse of Charities for Terrorist Financing" (the Guideline) which aimed to provide practical guidance to assist charities in Hong Kong to develop or strengthen practices and procedures to protect themselves from TF abuse. **The Guideline has been updated in September 2018** taking into account FATF's latest reference on Recommendation 8 and other relevant information and is currently accessible on Security Bureau's website: https://www.nd.gov.hk/pdf/guideline_e_20180929.pdf.

We would like to remind money service operators ("MSOs") that TF is a criminal offence under the "United Nations (Anti-Terrorism Measures) Ordinance", Chapter 575, the Laws of Hong Kong. Section 8 of the Ordinance prohibits a person from (i) making available, by any means, directly or indirectly, any property or financial (or related) services to or for the benefit of a person knowing that, or being reckless as to whether, the person is a terrorist or terrorist associate; or (ii) collecting property or soliciting financial (or related) services, by any means, directly or indirectly, for the benefit of a person knowing that, or being reckless as to whether, the person is a terrorist or terrorist associate.

Section 8A also prohibits a person from directly or indirectly, dealing with any property knowing that, or being reckless as to whether, the property is (i) specified terrorist property; (ii) wholly or jointly owned or controlled, directly or indirectly, by a specified terrorist or terrorist associate; or (iii) held by a person on behalf of, or at the direction of, a specified terrorist or terrorist associate. Offenders of sections 8 and 8A of the Ordinance are liable for a maximum penalty of unlimited fine and imprisonment for 14 years upon conviction.

MSOs are advised to take appropriate risk mitigation measures and update its sanction screening database on their clients and transactions to compensate for the susceptible TF risk arising from providing financial (or related) service to charities in the course of business, particularly for those charities operating and raising funds in Hong Kong for the purpose of supporting humanitarian services in conflict zones or terrorism-afflicted regions. If MSOs detect any suspicious activities, they should file Suspicious Transaction Report ("STR") to the Joint Financial Intelligence Unit ("JFIU") as soon as practicable.

Should you have any questions regarding the contents of this circular, please contact us on 2707 7820.

Money Service Supervision Bureau
Customs and Excise Department
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