



MSSB/MIS_01/2019
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Circular

**Circular to Money Service Operators
Anti-Money Laundering / Counter-Terrorist Financing**

**Non-profit Organisations and Terrorism Financing
Red Flag Indicators**

Further to our circular issued on 28 November 2018 regarding the Advisory Guideline on Preventing the Misuse of Charities for Terrorist Financing, the Customs and Excise Department would like to draw the attention of money service operators (“MSOs”) to a report recently issued by the Australian Transaction Reports and Analysis Centre (“AUSTRAC”) entitled “2018 Non-profit Organisations & Terrorism Financing Red Flag Indicators”, which is available on the AUSTRAC’s website (<http://www.austrac.gov.au/sites/default/files/npo-red-flag-indicators.pdf>).

The report outlines red flag indicators of suspicious financial activity which are valuable tools for detecting potentially illicit behaviour linked to terrorism financing (“TF”), money laundering (“ML”) and other crimes. Various sections of the report are relevant for MSOs to better understand and mitigate TF/ML risks, including:

- keeping in perspective the generally low level of Non-profit Organisation (“NPO”) misuse and each country’s risk profile¹ when monitoring NPO accounts and transactions;
- understanding the characteristics that expose some NPOs to higher TF risk and identifying the subset of NPOs that are more vulnerable to TF misuse; and
- paying attention to primary and secondary red flag indicators as a combination of both should be considered highly suspicious and likely grounds to file a suspicious transaction report.

MSOs are recommended to review the report carefully to enhance the understanding of NPO & TF red flag indicators and the range of possible approaches that can be adopted, depending on individual MSO’s own situation, risk profile and risk appetite.

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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¹ For the risk profile of Hong Kong, China, please refer to the Hong Kong Money Laundering and Terrorist Financing Risk Assessment Report available at <https://www.fstb.gov.hk/fsb/aml/en/risk-assessment.htm>.